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HOUSING FOR MILITARY PERSONNEL

ORIGINAL

HEARING

BEFORE THE

SUBCOMMITTEE ON
MANPOWER AND PERSONNEL

OF THE

COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

MONTEREY, CA

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HOUSING FOR MILITARY PERSONNEL

TUESDAY, APRIL 9, 1985

U.S. SENATE,
SUBCOMMITTEE ON MANPOWER AND PERSONNEL,
COMMITTEE ON ARMED SERVICES,
Monterey, CA.

The subcommittee met in open session, pursuant to notice, at 9 a.m., in the Ferrante Room, Monterey Conference Center, 1 Portillo Plaza, Monterey, CA, Senator Pete Wilson (chairman) presiding.

Present: Senator Pete Wilson.

Staff present: Pat Tucker, counsel.

OPENING STATEMENT BY SENATOR PETE WILSON, CHAIRMAN

Senator WILSON. Good morning ladies and gentlemen.

I am Pete Wilson, the junior Senator from California and chairman of the Manpower and Personnel Subcommittee of the Senate Armed Services Committee.

We are convened this morning to consider the problems and the challenges faced by the armed services in housing military families, particularly younger enlisted families, those who face the problem of coping with limited resources.

Our focus is going to be on the California problem. California, if not unique, at least presents peculiar problems because of the very high cost of housing in the civilian economy, especially in the coastal part of that State. That is true here in the Monterey area where the commanders at Fort Ord are confronted with this problem and it is true in southern California for the Marines and for the Navy. Only the Air Force, by being somewhat inland, seems to have escaped the problem, at least in terms of the severity that we find it elsewhere.

We are concerned with both the structural adequacy of shelter available and with the availability of any kind of shelter. We are very much concerned with the economic impact and the toll that it takes on young families, on young marriages.

We are all painfully aware of the tragedy last year when a 13-year-old boy gave up his life because of his own perception that his family was unable to cope with the situation presented. As it happens, he was the member of a family not really at Fort Ord. Fort Ord had attempted to take on the family of Sergeant Holley.

The concern that we have is that the strain be alleviated to the extent possible. This problem has many facets and hopefully it is susceptible of resolution in some ways that we are beginning to

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find. I commend the Army here at Fort Ord and other commands in California.

My own conviction is that increasingly we must involve local governments and the private sector in a three-way partnership with the military in order to deal adequately with the problem.

We have a distinguished panel of witnesses this morning. They involve military commanders, members of local government, and representatives from the private sector. Because of the expertise, the experience and the conviction that they bring to the witness table, we are eager to hear them.

It is our intention in holding this hearing to focus on a variety of ways that we can address the problem and the collateral problems that relate to it.

Because of the magnitude of the challenge relating to housing alone, we will not be able to more than tangentially touch upon such associated problems as crime, as the whole range of economic problems that flow from the typical situation in which the young soldier bringing his family across country arrives without funds, already in the hole and has to go further into the hole to satisfy requirements in the local rental market for all that the law will allow, in many cases, first and last months' rental along with a security deposit.

There is some good news on the way. Our first witness will be Hon. Leon Panetta, a distingished Member of Congress from the Monterey area. In his testimony he will propose several very relevant ideas.

We have in the current authorization bill that has now been passed on to the floor from the Senate Armed Services Committee sought to achieve some measures of relief for these young military families.

Separation pay in that legislation will be doubled from $30 to $60. We have made temporary lodging allowances and entitlement. I think you may know that the authorization has existed for some 3 years or so, but has never been funded. This will make it an entitlement.

There will be an increase in weight allowances for all personnel including major increases for junior enlisted personnel. We provided an entitlement to mileage for dependents under age 2. We provide a 3-percent increase in basic allowance for quarters.

We have also provided authority for the advance of basic allowance for quarters and variable housing allowance for those making a permanent change of station within the continental United States in much the same way that the law now provides it for overseas changes of stations.

With that, we are eager to hear from our panel of witnesses. It is a great pleasure for me to introduce someone who needs no introduction in this area because he has represented it long and very well.

So, without more, I welcome to the witness table Hon. Leon Panetta.

STATEMENT OF HON. LEON PANETTA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. PANETTA. Thank you, Senator.

I appreciate your invitation and I appreciate your presence here. It is always nice to see members who have a responsibility at the national level who are able to come out and actually visit posts and locations on site to get a firsthand view of what is happening, because I think we tend in Washington to get one side of the picture. You really need to see it up close. For that reason I thank you and appreciate your taking the time to come to the Monterey area to see this issue firsthand.

Let me say that I do not think I have to remind you, the subcommittee or the other members of the Armed Services Committee of the circumstances involving the tragedy of Danny Holley, but I hope that we do not forget the point that his death poignantly illustrated at the time, which is that military housing in many areas, including the Monterey Peninsula, is woefully inadequate in trying to meet the needs of our military personnel and their families.

At the time we thought it was a situation that was unique to the Monterey Peninsula and indeed it is serious here, but the reality is that since that tragedy I have received a large amount of mail from soldiers across the country who are experiencing some similar problems. For that reason, I think it is incumbent on us to look at the overall issue that faces us.

More of our military personnel are married today than ever before and they are stationed in some 90 foreign countries, as well as all over the United States. Two-thirds of these personnel have brought their families with them as they have traveled far away from their homes and even across the ocean.

On the average of once every 2 years they uproot their families from their temporary locations, sell their homes, and move on. Obviously, it is a situation that they face almost every 2 years to try to relocate themselves, try to reestablish their families, and try to catch up on their debts. It is becoming a more and more impossible situation.

Once a military family arrives in their new destination, the problems are not over; they have just begun. Their immediate priority is housing. In some areas that may not pose much of a problem. But here in the Monterey Peninsula, just like in a few other areas, it becomes the No. 1 problem.

As of last fall when Danny Holley took his own life, there were 2,500 families on a waiting list for onpost housing at Fort Ord. In addition, over 1,000 more families are today forced to live in substandard rentals and some more than 1 hour's commute from Fort Ord.

An estimated 20 percent of military families living off post today are sharing single-family rentals with one or more families and almost 30 military families are living in tents or campers where there are very few facilities to support them. I think it is something that struck all of us when we found out that men and women who were sworn to serve, protect and defend this Nation must live under those kinds of conditions.

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So, it is clear in our area, in trying to respond to this need, that the private sector alone is not going to be the answer. I think you are right, it is going to take that kind of partnership of the private, Federal, and military sector working together to try to resolve this situation.

Here the situation is aggravated just by the kind of housing we have. I am sure you are aware that the average monthly rental of a three-bedroom house in the Monterey Peninsula is about $765, a two-bedroom house can set a family back $670 a month. Security deposits alone can put a military family almost $1,000 in debt from day one because of what has to be deposited.

Even with these prices, families are waiting in line for a chance to rent. We have a very low vacancy rate in this area and, as a consequence, the houses just are not available. In a 7-year period in this area, between 1976 and 1983, only about 46 moderate-income housing units were built in the vicinity and, obviously, that is not going to be able to meet the needs of military families or the lower moderate income families in this area.

Military personnel are sworn to protect our Nation. I think this Nation in turn has to accept its responsibility to try to provide adequate facilities for those families.

The Department of Defense has called for various military construction projects here in the Monterey Peninsula to try to ease this situation. I would like to summarize some of those. I am sure you are familiar with them. They are in the authorization bill.

I might say, Senator, as background, you probably know that initially Fort Ord was a training post and, obviously, at that time there was not the need for the kind of housing for permanent staff in that kind of a situation. When we went to a permanent division, the 7th Light Infantry, we then had a large number of permanent personnel who were, or wanted to remain, here with their families. That is when the crunch came in housing.

We have been able to construct over the last 8 years well over 1,000 onpost housing units, but it still has not met the need. Hopefully, we will be able to, within 5 or 6 years, meet the full need that is there. I think the budget that has been presented by the Department of Defense is a step in the right direction.

As you know, there is about $49 million, almost $50 million, provided for 600 new units at Fort Ord. About 500 would be two-bedroom units and about 100 three-bedroom units for junior noncommissioned officers. The construction of these homes I think will dramatically affect the housing shortage at Fort Ord where the wait now is somewhere between 5 to 12 months.

The construction is combined with a number of other efforts. We have 70 mobile home spaces at the cost of $1.1 million that we are hoping to develop as well. That would provide the opportunity for 70 families to immediately go onpost and find adequate housing.

In addition to that, there is an effort that is progressing very well to work with the private sector to develop a 200-unit mobile home trailer park at Fort Ord. The Army is also asking for upgrading of about 550 housing units that are today more than 30 years old and badly in need of repair. That is the other aspect, we need to update the substandard housing as well.

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The Army has also requested $23 million to be spent on the construction of five permanent barracks capable of accommodating about 1,000 enlisted personnel. Those buildings would be used and I think are needed now because the facilities there now are wooden structures built during World War II which are, frankly, not able to meet our needs. They need to be replaced and that money would allow us to do it.

I can't express to you how important it is to get these construction plans into place and get these funds adopted. We need them desperately to meet the needs for military families in this area.

These plans, obviously, are not cheap. Yet, as you know, construction funds that go for military family housing represent little more than 1 percent of the total national defense budget in fiscal year 1986. That, ladies and gentlemen, is for military family construction all over the country, not just at Fort Ord.

As necessary as these construction plans are, I think you would agree with me that they are not sufficient to meet the broad needs that are facing today's military families. In the last Congress we made several important changes in the way housing allowances are calculated in an attempt to try to ease that burden on military families, but I believe much more needs to be done.

As you indicated, I have introduced the Military Family Services Act of 1985 to try to address the broad area of benefits and services for families. Let me just summarize some of those areas because I think you have touched on them and hopefully we will be able to get some legislation adopted to meet these needs.

First of all, in the form of permanent change of station reimbursements, none of us has to be told how expensive travel is, but when that travel is Government-ordered, there ought to be at least some equitable reimbursement.

The Air Force estimates that the medium unreimbursed cost incurred during Government-ordered travel is somewhere between $1,500 to $2,000. For this reason, I have proposed that we overhaul the mileage and household goods weight allowance to better reflect these high travel costs.

In addition, we provide reimbursement for individuals when they move to an area and are forced to live off post. Civilian employees, when they are ordered to move from one place to another, get reimbursed for their stay in a motel or hotel until they find permanent housing. That is not the case for our military personnel. I think at the very least we need to provide the same kind of reimbursement for the military.

The problem, again, is that the average initial outlay is $1,500 to $2,000, but let me tell you in the Monterey Peninsula it is probably closer to $3,000 by the time you are through, not only in terms of security deposits, but also the need to find and live in an apartment. This is very expensive until you are able to find some kind of permanent housing. It just puts the family that much more in the hole.

Second, the Military Family Services Act would authorize a voluntary dental plan. As you know, the military itself has been working on the idea of establishing some basic dental care needs for dependents of active duty members. I think this is an essential aspect. The program that I have included is built along the lines

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that DOD was working on. It would allow for a contribution by the Government as well as by the families themselves to try to develop that kind of essential coverage.

Third, I would reduce the 12-percent maximum unreimbursed cost for enlisted personnel renting off base.

I propose in addition to that, Senator, to authorize a pilot program to test the feasibility of an off-base rental housing lease indemnity program under which civilian lessors would forego the security deposits in return for a guarantee that any damage or losses resulting from a breach of contract would be covered by the service member's command and any unpaid balances would be recovered through payroll deductions.

Let me just mention as part of the long-range approach, we have got to build these housing units. I think ultimately that is the answer, but in the short term we still have to meet a need. We have been working with local landlords to try to develop an approach here in the community.

With the help of Colonel Meurer at Fort Ord, the major general and others, we have sat down with local realtors and local housing landlords to develop an approach in which they would try to forego these initial security deposits. The problem, obviously, is how do you guarantee that this is picked up at the end.

One of the ways we have approached it is on a voluntary basis to require that as part of the checkout for a military family when they are moving from one post to another, that this be incorporated in their list of checkouts so that, indeed, they could not transfer from one post to another post unless a security deposit resulting from damage or final month's rent is paid.

The problem is there are better ways to do it. I mean we could actually provide for deductions. We could actually take a number of other steps, but are not authorized to do so under present law.

What I would recommend in the bill I have introduced is to try to allow at least for pilot programs to be established along those lines. I think you will find the private sector more than willing to cooperate in that kind of effort, but we just need to provide a system to develop an approach here that meets both the private sector's need as well as the military's need.

Last, what I have proposed is the creation of an office of Military Family Services. The problem that we have right now is there are obviously a number of operations, such as the Red Cross, a number of onpost operations that are formed in community after community to try to meet family needs. They simply are not coordinated. Some posts do a good job and some posts do not do a good job in terms of meeting that need.

What I would do is to try to provide within an office of Military Family Services financial and family counseling, resource and information referral, spouse employment referral, consumer protection and the family advocacy services.

In addition, the office would be required to operate an outreach program targeted at families that have been separated by overseas assignments, such as in the case of the Holley family. There were just no outreach programs that really were able to help that family establish itself in this area.

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Those are some of the ideas that are incorporated in the legislation. I have testified before Les Aspin of the House Armed Services Committee. He is chairman of the Subcommittee on Personnel. There seems to be a good deal of receptivity to the kind of proposals that I have indicated. I feel very confident that we are going to be able to move some legislation.

I do not believe it is being unrealistic to state that the morale of our Armed Forces is at stake here. We are in an era of an All-Volunteer Force. I do not think we can afford to overlook the importance of providing adequate services compensation and housing to our military personnel and their families.

How can any of us possibly expect to be able to attract the best and the brightest of our Nation's young people to the military if some of our personnel are forced to live in substandard housing or in tents or miles away from their spouses and their children.

I submit to you that no matter how much we spend on space age offensive and defensive weapons, no matter how long we talk about our conventional arms capability, we have no hope of having an adequate military force if we refuse to provide a decent standard of living for the people who are serving in our military.

So, I ask you to help work with the House in trying to respond to these needs by considering the proposals for military construction at Fort Ord as well as some of the other ideas that I have presented.

Again, I realize that at a time of budget constraints, some of these ideas may sound expensive, but they are not extravagant, they are not luxuries. I am not talking about fringe benefits here; I am talking about meeting bare-bone needs of our military families.

I urge the members of the subcommittee to dedicate yourselves to responding to the voices of our servicemen and our servicewomen who ask that their lives not be made more comfortable than anybody else's, but that their lives not be made any more burdensome because they have chosen to dedicate themselves to this country's defense.

Thank you.

Senator WILSON. Thank you very much Congressman Panetta.

I will look forward to your legislation coming before the subcommittee. I think it will be referred to us. Rather than ask questions now, I will wait until that opportunity to ask you detailed questions.

I must comment, though, I think that your legislation and the proposals that you are making go to the most basic needs.

The first, obviously, is that for funding of adequate housing, onbase housing.

Second, for those that are required to find shelter in the civilian rental market, I think you have responded to the idea that General Wickham, the Army Chief of Staff, has written to me about in a handwritten note. Indemnifying the landlords is an idea that has great promise and it would avoid one of the two major problems.

You said just now at the conclusion of your testimony you hoped that we would listen to the voices of these young families. I had that experience less than 1 hour ago. I had breakfast with three very articulate young couples, one a mayor of one of the neighborhoods on Fort Ord, on the base; another who had been the mayor

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of that same community last year and is currently the vice mayor, and one connected with the permanent change of station area.

The problem that they face in terms of dealing with the initial shock of a requirement to come up with the first and last months' rent and the security deposit literally leaves them in a situation where they are in the hole and have to make good on it over a period of literally years.

So, I think that your legislation, your proposals are quite responsive. Thank you very much for being here this morning.

Mr. PANETTA. Thank you very much, Senator.

Senator WILSON. I understand that you were with constituents until late last night. I suggest that you go and get some sleep.

Mr. PANETTA. I have to go to San Luis Obispo. My district is about one-half the size of California so I have to run around like you do.

Senator WILSON. Having one that is a full size, you have my sympathy.

Mr. PANETTA. Thank you.

Senator WILSON. I thank you.

Mr. PANETTA. Yes, sir.

Senator WILSON. Next we invite Maj. Gen. William Hardin Harrison, commanding general of the 7th Infantry Division; Judy Ann Miller, Deputy Assistant Secretary of the Army for Military Personnel, Equal Opportunity and Human Relations; and Hon. Paul Johnson, Deputy Assistant Secretary of the Army for Installations and Housing, to take the witness table.

Ladies and gentlemen, we are delighted to have you here and know that you have much to tell us.

General, we will hear from you, sir.

STATEMENT OF MAJ. GEN. WILLIAM HARDIN HARRISON, COMMANDING GENERAL, 7TH INFANTRY DIVISION, LIGHT

General HARRISON. Thank you very much, Senator. Good morning.

As you know, I am Maj. Gen. Bill Harrison, the commanding general of the 7th Infantry Division, Light, and better known in the local environment as the mayor of Fort Ord.

This morning I will discuss the housing shortage and the inadequate compensation for moving expenses the soldiers assigned to Fort Ord face when they come here.

I will focus on the basic expenses that directly affect the soldier and his family. Although all service members are similarly affected, I am most concerned about the young enlisted soldiers that make up the bulk of the 7th Infantry Division, Light, the E-1's through E-5's, who are the front line light fighters.

There are four key areas that must be addressed as we examine the soldier's financial situation.

First, the actual travel cost and shipment of household goods.

Second, the temporary living expenses upon arrival at Fort Ord.

Third, the high move-in costs in order to secure living accommodations off post.

Finally, the high monthly rental costs that far exceed the entitlements while they are living off base.

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Travel cost and movement of household goods is a key area to a new private E-1 or E-2. Current authorizations allow the private E-1 or E-2 225 pounds of household goods and 15 cents a mile for travel. If he has family members or if he has furniture, these are moved at his own expense.

This problem has been addressed in the fiscal year 1986 defense budget proposal and the bills introduced by Representatives Schroeder and Panetta. If the proposed legislation is enacted, it will greatly relieve the financial burden on my soldiers.

Once a soldier has arrived at Ford Ord as at many other installations, he will find that there is a shortage of temporary lodging facilities. We have at Ford Ord 229 sleeping rooms, all of which are in inadequate World War II barracks. This number is insufficient to meet the demand. As a result, our soldiers and their families are often forced to find motels in the civilian community. The costs of living in a motel and eating out in the Monterey Peninsula area far exceeds the $42.40 per day that the typical private E-2 will draw in total allowances.

We must have some sort of temporary living allowance in the continental United States as we do for moves overseas. It can easily cost $100 to $125 per day to rent a motel room and purchase three meals a day in this area.

Again, the defense proposal, as well as both the Panetta and the Schroeder bills, address the topic of temporary lodging expenses. We are also addressing this through a nonappropriated fund construction program to build additional guest houses on Fort Ord.

We currently had a 30-unit guest house under construction and a program for 90 more units. While we are continuing to pursue nonappropriated grant funds to build additional guest house space, we see other demands for these very limited dollars.

We are, therefore, examining the feasibility of a third-party contract whereby the private sector will be invited onto Fort Ord to build and operate a hotel/motel facility.

A market analysis consultant was at Ford Ord on the 1st of April to initiate the economic and market analysis to determine if such a venture with the private sector could be done in such a way as to providing a fair yield to the investor while at the same time providing temporary lodging at an affordable price. Even with an affordable motel on base, temporary living allowances will still be required.

We also examined the feasibility of leasing existing adequate motel space off base. While we can develop some interim arrangements with local motel owners that complement their slow periods, our greatest problem remains the lack of Government-funded reimbursement for the temporary lodging costs associated with a permanent change of station.

The third area that we need to address is move-in costs. It is not unusual for local landlords to charge an initial deposit equal to 3 months' rent for an unfurnished apartment or house. Local landlords, however, have been very cooperative in working with us to reduce the size of security deposits.

We are continuing to work with local government leaders, realtor organizations and apartment owner organizations in an effort to ensure our soldiers fully meet their responsibilities as tenants

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and we hope that this will reduce the risks that landlords face and lead to further reductions in security deposits.

Even so, current move-in costs in the range of $1,000 to $1,400 are not unusual. This cost far exceeds the typical E-1's or E-2's ability to pay.

Additionally, we are working with local public utilities in an effort to reduce their initial security deposits and our goal would be to have deposits for gas and electricity reduced to $25 and for telephone deposits to be waived. However, because of Public Utilities Commission rules, PG&E cannot participate. Pacific Bell is reviewing our proposal.

Our fourth concern is the shortage of housing available to our soldiers. In Monterey the housing shortage is a function of supply and demand. The variable housing allowance system seeks to create demand in the private sector and generate housing starts. This just simply does not work in this region.

There are certain realities associated with the supply of housing in the private sector. Affordable housing is very much dependent upon the availability of inexpensive land, water supply, and sewage treatment capacity.

Because of our area's beauty and desirability, the demand for housing will always far exceed the region's ability to develop inexpensive housing while still maintaining the quality of life for which the region is known. Therefore, affordable housing vacancy rates in Monterey are measured in hours, not in percentages.

Thus, the best solution to the military housing problem appears to be the construction of needed units on Federal property. This is supported by local government, housing authorities and realtors.

The financing options range from fully appropriated funded housing to some form of a partnership between the Army and the private sector. Here at Fort Ord, we are pursuing a full range of options.

The fiscal year 1986 military construction program contains a line item for the construction of 600 units of housing for our enlisted soldiers. The total requirement at Ford Ord is easily in the 2,000-unit range.

Currently, there are approximately 2,500 soldiers on the waiting list for onpost housing at Ford Ord. Over 2,000 of these soldiers are below the grade of E-6. Almost every one of these soldiers on the waiting list is suffering extreme financial hardship as a result of being forced to live on the economy.

The fiscal year 1986 bill that I hope you will support also provides for the construction of a 70-unit mobile home park for the use of those soldiers who own their own mobile homes and cannot find adequate mobile home park space in the local area.

On the 1st of April we received proposals for another option. This would involve the lease of a 60-acre parcel of land to the private sector for $1 per year. We also would make available our sewage treatment facility and our water production facility.

In return, the private sector would construct, operate and maintain a 200-unit mobile home community for a period of 25 years. The winning contractor would offer the mobile homes to our soldiers on a lease with option to buy.

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Although we have not made a final selection, we have received seven proposals which are currently under review. This concept began the 1st of January and we plan to have the first 50 units occupied by September of this year. If this succeeds, it will create 200 units of affordable housing with no appropriated dollars for construction.

We are considering building additional affordable housing, that may or may not be mobile in nature, using similar leasing provisions. There are no apparent legal impediments to our success. We are also examining the feasibility of section 801, Lease/Build Housing.

The key to successfully providing affordable housing in cooperation with private sector depends upon Army operational requirements and the developer's ability to acquire low-interest financing. Acceptable financing will complement our ability to subsidize the project though the provision of affordable land, water, sewage, and high occupancy rates.

The later witnesses can be more specific in what they believe they need to create affordable housing, including favorable tax treatment on development bonds or other financing mechanisms to complement the other subsidies we can provide.

These concepts to create more onpost assets will take time. The soldiers assigned to the 7th, Light, today will probably not see the results of the long-term solution.

To help alleviate the cash-flow problem of today's soldier the domestic lease program should be revitalized. The domestic leasing program would give Ford Ord the flexibility to dramatically improve the housing situation in two ways.

First, units currently occupied by junior enlisted soldiers can be quickly acquired by the Government and managed as Government quarters.

Second, apartment complexes currently under construction can be acquired and assigned expeditiously to soldiers on the waiting list. The gap between BAQ and VHA entitlements and the housing costs has reached the stage where the original reasons for eliminating domestic leasing are no longer valid.

As long as the program is managed as an interim measure, I would expect little public opposition. As we would lease only vacant units or those already occupied by military families, no civilian tenants would be relocated.

Specific actions which need to be addressed to accomplish necessary domestic leasing include the following:

Current dollar limitations of $6,000 per unit per year need to be raised as much as $10,000 per unit per year. This has already been proposed by CSD. We should also increase the number of units which can exceed maximum cost limits. This is particularly important in a high-cost area such as Monterey County.

It is imperative that limitations are not placed on the maximum amount that the Army can expend for the domestic leasing program. Such a limit would severely curtail the flexibility of the Army to provide domestic leases in circumstances such as we face here at Fort Ord, where leases are so desperately needed.

Moreover, in fiscal year 1985, release from limitations on our authority to expend dollars on domestic leasing would permit us to

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provide some immediate relief through that program. Although the Army has, just this month, provided Fort Ord $60,000, 100 to 200 additional leases could be executed if permitted to move dollars from foreign-domestic leasing programs.

In summary, we are a "married" Army. Today, 50 percent of my soldiers are married. Given current demography, the Army of the future will be recruited from a pool of older individuals. This will result in even more service members entering the Army with spouses and children.

If we are to make the Army attractive to the quality individuals we want and need in the future, we must offer a benefit and compensation package that allows the service member to at least break even as he and his family make the frequent moves attendant to being in the military.

Our present system has failed to keep up with current cost realities. Many of the young soldiers are on the brink of financial ruin as a result of uncompensated moving and housing expenses they are currently being required to absorb. We must provide better if we are to be successful in attracting and maintaining a quality force.

Mr. Chairman, I have taken the liberty of attaching to my comments a copy of the April 16, 1984, White Paper which provides direction for the development of the finest Light Infantry Division the U.S. Army can field. This document, authored by our Army Chief of Staff, Gen. John A. Wickham, succinctly outlines the current mission of the 7th Infantry Division, Light, in the U.S. Army. [Retained in subcommittee files.]

We are being provided some of the U.S. Army's most modern equipment. We are being provided the dollars and resources for the necessary training, and we have the finest soldiers I have ever seen in my military career. Our strength is at 100 percent. Thus, we have everything we need to succeed, except the quality of life our great soldiers and their families deserve.

These are outstanding young men and women, ready and willing to make the ultimate sacrifice should it be required of them. Sir, they need and deserve you and the entire Congress' support of these measures to enable them to provide for their families in a manner commensurate with their fellow citizens. They are prepared to sacrifice their all, they ask only a decent way of life for their wives and children.

I thank you, Senator, for giving me this opportunity to explain the situation that we face here at Fort Ord.

Thank you very much.

Senator WILSON. Thank you, General.

Miss Miller.

STATEMENT OF HON. JUDY ANN MILLER, DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR MILITARY PERSONNEL, EQUAL OPPORTUNITY AND HUMAN RELATIONS

Ms. MILLER. Good morning, Mr. Chairman, Senator Wilson. Good to see you again.

It is very hard to follow such articulate spokesmen as Congressman Panetta and General Harrison, in bringing to you the Depart-

ment of the Army's perspective on this problem and to convey to you directly the Department of the Army's support, through the Secretary and the Chief, for these kinds of initiatives to improve the quality of life of our soldiers.

The Army's commitment to the quality of life program has never been stronger and it is recognized as having a direct and immediate impact on our ability to attract and retain a ready and dedicated force. A committed force capable of deterring war and winning a war should deterrence fail, which is enhanced when we are to strengthen the human dimension of the Army. This includes our ability to meet the housing, health care, education and pay needs of our service people.

It also includes our obligation to promote family wellness through a safe and healthy working and living environment and providing those morale, welfare and recreational services that are essential elements of our soldiers' commitment and Army readiness.

Our business is a people business built upon our people's commitment to the Army way of life and the Army's ability to provide a community with resources and programs to meet their needs and to promote their well being.

As Congressman Panetta and General Harrison have stated, unique problems requiring special and immediate attention exist here at Fort Ord and particularly in the area of needed relocation and family housing initiatives. The fiscal year 1986 DOD budget proposal addresses the critical need to reduce out-of-pocket expenses by increasing household goods weight allowances, authorizing travel for dependents of junior enlisted, providing temporary lodging expenses and transportation for dependents under 2 years of age. It is unfair to expect service members to borrow money and to go into debt to absorb unreimbursed expenses each time they are ordered to move.

Our fiscal year 1986 DOD legislation contingency requests reinstatement of the domestic lease program and deletion of a ceiling on domestic base expenditures, construction of 600 family housing units on post, construction of 70 mobile home pads on post, authorized per diem for family members during PCS, removal of statutory ceilings on Conus per diem rates, and restructuring of PCS mileage allowances for family members.

The need for creative and innovative efforts such as third-party contracting for quality of life services and facilities is an option which has proven to be feasible at other Army installations and may be quite practical and beneficial here.

Your support, Mr. Chairman, for our proposed initiatives will go a long way in improving the living conditions of our service members, specifically here at Fort Ord and generally throughout the Army.

Thank you so much.

Senator WILSON. Thank you so much, Miss Miller.

Secretary Johnson.

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STATEMENT OF HON. PAUL JOHNSON, DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR INSTALLATIONS AND HOUSING

Mr. JOHNSON. Mr. Chairman, thank you very much for inviting us here. We appreciate this opportunity to discuss these issues with you. It was very good that we could see you visit our soldiers in the field yesterday and again this morning and to bring to this community your support.

As you know, the 1986 program is now on the Hill and we need your support. The construction, the leasing, the trailer pads and the park, all of those sort of things come under my oversight and I guarantee you that there will be no holdup on any of the implementation in the design and/or the construction of these facilities.

This not only applies to Fort Ord, but it applies around the world. Our soldiers deserve the quality of life that his civilian counterpart has.

Thanks again for coming out to see us.

Senator WILSON. Thank you, Mr. Secretary.

Let me respond now to the panel.

First, the point was made about the need for several things, among them an increase in weight allowance. The current fiscal year 1986 defense authorization bill does contain a proposed increase, a rather substantial increase.

General, you remarked on the need to increase that for E-1's and E-2's and the proposed increase is to take it from the 225 pounds you mentioned up to 5,000.

I mention this also to point out that there is a cost for all of this and you are quite right in saying that we need to consider what we are buying with it. We think that it is important. We don't like the situation that exists now where people arrive in the hole and are faced with getting further in it.

But the cost just for that portion we would estimate is between $10 to $15 million. The total that we will spend to increase weight allowances in general is about 228. We think it is a necessary part of today's Army or today's armed services.

I was much struck with the fact that the State PUC by its rules apparently prohibits local utilities who are willing to waive deposits akin to those required by landlords as security deposits. It would seem to me that we are in a position similarly to offer them a guarantee and to address that problem. We will undertake to include that kind of a provision in the legislation.

Let me get to the basic point. You make a point, General, that you have about 2,500 on the waiting list, some 2,000 of those are E-6's or of lesser grades. Given the choice between expanding the leasing program or the kind of thing that you have engaged in, in terms of entertaining private sector participation to construct onbase additional units, what is your preference?

I think that I have one and it seems to me that we will probably need both, but I would be interested in your response and then I will tell you mine.

General HARRISON. Well, Senator, the leasing thing I see is something that we can do immediately to take care of the immediate problem.

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These other things, the building of the quarters, and so forth, that is our long-range goal, and that is what we would like to see, more quarters on post for our soldiers, but that is going to take a little bit more time.

The leasing thing, we could take care of situations that exist today because the soldiers that are here at Fort Ord right now are probably not going to see many of the quarters that we are talking about, even those that are in the bill right now, and by the time they are built and occupied, these soldiers are probably not going to be here.

The leasing thing is something that we can address today. So, I would like to see them both. I would like to see the leasing thing to give me the flexibility to take care of some immediate problems and to continue to get more onpost housing for the long-range solution.

Senator WILSON. Addressing the long-range solution, as you term it, I am particularly intrigued with the proposals that you have negotiated in the seven applications you have for the 200 units. As I understand it, the selection will be based on many factors and the chief criterion is affordability and also quality of the product, quality of the living environment provided.

Colonel Meurer made the point yesterday in conversation that he will achieve nothing for the soldier if what he allows as the construction is something that requires $750 a month rental.

I think that is quite true, and I also think that from what I heard this morning at breakfast from these young enlisted families that they have almost uniformly had the experience that notwithstanding assurances to the contrary, they found that their rent was increased in many instances shortly after they had moved into rentals.

You will probably find no one who is more violently opposed to rent controls than I am in general as it relates to private sector housing, but we are dealing with a special audience here, a special constituency in terms of young enlisted families.

As I understand what you are proposing in this competition with the private sector, one of the factors will be to negotiate a contract which allows for adjustment in rental, but one that is strictly controlled. It seems to me that is a very distinct advantage of using your real estate assets.

Now, as it happens, you have an option here at Fort Ord that not all commands do, you have an amount of land. Not to suggest that you do not need it for training and for operations, but you do have sufficient land so that you can dedicate some of it for the purpose of housing. It seems to me that is a great advantage of a command like yours, so I would not only commend you for the innovation and the initiative taken by your command, I would encourage it.

It seems to me there are distinct long-term advantages from going that route.

Incidentally, I have both an observation and a question. It seems to me that much of what you have achieved here has been achieved through the initiative of the officer assigned as the director of engineering and housing, Colonel Meurer. Perhaps not all commands are faced with a challenge that faces you here, but it strikes me that there is a distinct need for someone, either an offi-

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cer or perhaps civilian employee, but someone who can devote sufficient time and who has sufficient expertise, or can develop it, to work with the private sector and work with local governments in bringing about innovative solutions.

I commend Colonel Meurer and I commend you, sir, for what I have found here. I think it is distinctly encouraging and I am going to try to encourage the military in general to see to it that an officer or at least someone on the staff of the commander has the ability to do the kinds of things that you are undertaking here. So, I congratulate you and him on that.

General HARRISON. Thank you, sir.

Senator WILSON. I do not know what his training for that is. I will be curious to find out, but I really think that is essential and we are talking about a partnership between the military, the commands, the local governments and the private sector. I think you need somebody who is a knowledgeable implementer to direct that effort, to coordinate it.

My final question to you would be simply this: In your testimony in commenting on the leasing program you have observed that you see no legal impediments to going forward. Given the opportunity as it exists, if you were given as much entrepreneurial authority to negotiate with private developers for constructing onbase housing as you would like and, therefore, the ability to use these real estate assets that you have here, this acreage, do you see the need for any additional legal authority?

You can both respond to that. I would be grateful if you choose to do so. In fact, I invite all three to make any comment in writing that you wish for the record that relates to whatever additional authority in the law you require.

I don't know whether there are any impediments that stand in the way of the kind of innovation that I have seen here, but if there are, we would like to address those and see if we can remove them.

General HARRISON. Well, we would appreciate very much the opportunity to look at that in great detail and to submit that to you in writing.

I am prepared right now to tell you precisely what I think we might need, as far as we have gone right now. As I said earlier, we don't see any legal impediments, but there could be some other things down there. We would appreciate very much the opportunity to submit that to you.

If you would allow me also to carry on in your comment about Colonel Meurer. He is an exceptional officer. I don't mean to take a thing away from him, but I assure you there are a lot more like him who are trying to do these same types of things at many other places in the U.S. Army.

I appreciate your comments and your observations about him because I consider all of us at Fort Ord to be very fortunate that we have had Colonel Meurer in the job that he is in right now for the last several years. He has done an outstanding job.

Senator WILSON. It is my observation, General, that generally the base reflects the will and determination of the commander, so I congratulate you as well.

General HARRISON. Thank you very much, sir.

Senator WILSON. We will excuse you now and look forward to your further written testimony.

Having spoken of the need for this partnership with local government and with the private sector, we are now delighted to be able to welcome Councilwoman Phyllis Price of the city of Salinas, also representing the Association of Monterey Bay Area Governments in her capacity as vice president of the association.

We will ask her to come forward and testify.

STATEMENT OF COUNCILWOMAN PHYLLIS PRICE, CITY OF SALINAS, CA, ALSO VICE PRESIDENT, ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS

Miss PRICE. Thank you, Senator Wilson.

I would like to start out by thanking you and your staff for your interest in our area. It is much appreciated to have the interest of the Senate and Washington shown in our local problems.

The Association for Monterey Bay Area Governments [AMBAG], is pleased to have this opportunity to share our perspective on the military housing needs in the Monterey Bay area and potential methods of meeting those needs.

At the local council of governments, representing 15 cities and two counties, AMBAG has been able to assess the housing situation of the entire region and through its reports of six local governments in making decisions that will help assure a supply of affordable housing.

As required by State legislation, AMBAG prepares a housing needs report which assesses present housing needs and projects each locality's fair share of low and moderate income housing requirements. That fair share then becomes an element of each agency's housing element.

The AMBAG Board of Directors has recognized a serious shortcoming in this process. The needs of one of the area's largest localities, Fort Ord, are not addressed in a comprehensive manner through this process. The board, with concurrence and funding from Fort Ord, commissioned a study of military housing needs in a format similar to that used for determining city needs. The study will be finalized next month, but my remarks still include some of the preliminary findings.

The shortage of affordable housing in the Monterey Bay area is well documented. Of particular interest in regard to housing for the military is the fact that most enlisted personnel are competing for housing in this area with four large segments of our population. The tourist service employees of the Monterey Peninsula, the agricultural workers of the Salinas Valley, the elderly and other low-income individuals in households.

One of the points that AMBAG wishes to stress to you today is that you cannot in this area separate military housing needs from the housing needs of the entire region. Given that, we suggest to you that the following situations, methods and/or programs be given consideration and support in the effort to deal with military housing needs.

One, as local governments, we are very supportive of any program that will provide for onpost housing. Land is available at Fort

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Ord and it should be used. Removing any obstacles to privately financing onpost housing would assist us in meeting our local housing needs overall.

Two, AMBAG supports regulations and funding that would allow military installations to contribute their full share to the development of the infrastructure necessary for housing support. Even onpost housing here at Fort Ord will make demands on regional support systems, sewage treatment, water supply, roads, and transit services.

It would not make economic sense for the military to try to meet these service needs on their own. The economy is a scale that requires that the military be a contributing member to local and/or regional projects.

Three, infrastructure is one key to housing development. AMBAG member agencies wish to stress to you that there are now, or have been in the past several years, federally funded programs that have assisted local governments in providing necessary housing infrastructure. These programs should be reinstated or continued.

As you know, Senator Wilson, in postproposition 13, California's local government cannot easily, if indeed at all, replace lost Federal funding.

You have asked for our suggestions on innovative ways to meet housing needs. While existing or past funding programs may not be considered innovative, they have worked and they are a necessary part of the entire housing supply process in our area.

For streets and highways, Monterey County received $1,327,000 in Federal aid, urban, and Federal aid, secondary, in 1984. Some of this funding is threatened in current budget proposals.

Monterey-Salinas Transit received $1.5 million from the Urban Mass Transportation Administration in 1984. One-third of this money is now slated for a 70-percent cut. Two-thirds of this money, over $1 million in operating funds, is slated for total elimination in 1988.

Local transit riders are, with their 75-cent fare, now paying 42 percent of the system's operating costs. This is well above the national average.

Our regional sanitation district has received $55 million to date for a regional sewer system; an additional $45 million to complete the system is forthcoming. However, at today's hearing we are talking about the needs for additional housing.

Additional housing means additional sewage capacity will be needed and yet the Environmental Protection Agency funds are granted only for existing problems, not needed growth increments. A change in this limiting factor would assist all of us in this area meeting this region's, including the military, housing needs.

Increased private involvement in meeting military housing needs, either on or off post, depend on continued Federal support for infrastructure development.

As a former city mayor, Senator Wilson, I know that you are well aware that not only housing is built, the streets are built, highways are maintained, transit is available, and sewage is disposed of.

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What is needed, we think, is a broader view at the Federal level of what is required to build and support housing. AMBAG asks for your support in retaining the Federal programs that enable local governments and the private sector to do what they do best, assess and meet local housing needs.

AMBAG offers a fourth suggestion as to how the Federal Government can encourage and assist private sector involvement in housing. CHISPA is a local, private, nonprofit developer in the Salinas Valley. This organization has an amazingly successful track record in using Federal funds to leverage public and private investments in its projects.

In the last 5 years CHISPA has used $1,100,000 of Federal money directly or through the State or the city of Salinas to develop over $19 million worth of housing, $19 million worth of affordable housing.

CHISPA used several sources for the $1 million that it used to generate this $19 million worth of housing. Of those sources, the HUD family housing programs were eliminated in 1982, Farmers Home is slated for elimination in 1986, and community development block grants are slated for severe reductions.

You are asking us for innovative solutions. We believe the almost 20 to 1 return on Federal dollars by CHISPA is indeed innovative. We ask for your help in restoring the programs that made this innovation possible to the extent that CHISPA has been able to add to the housing stock for the region. Housing units are thereby made available to the area's military families.

In summary, AMBAG member agencies urge your subcommittee to recognize that providing needed housing on post at Fort Ord is desirable and to help assure that there will be no obstacles to privately financing that onpost housing. That housing requires services, whether on or off post.

Proposed cuts in Federal funding programs for infrastructure development will only hurt the Army's, local government's, and the private sector's ability to provide housing. That innovative private sector involvement requires Federal funding for leveraging private dollars.

Just as the Federal donation of land at Fort Ord has made the mobile home project possible, some incentives must be available to local governments to encourage private sector investments.

While the focus of today's hearing is on housing supply, AMBAG wishes to restate its support of Congressman Panetta's bill that will aid military families in the financial aspects of housing and transfers. It is clear that the present situation requires attention to both supply and support.

The local governments of the AMBAG region thank you, Senator Wilson, for your interest in the military housing needs of our area. We have offered our suggestions as to how you can assist us in meeting those needs.

We hope you will give our suggestions serious consideration as you consider the role of the Federal Government in meeting one of the most important needs of our Nation's military families, an available, decent and affordable home.

Thank you.

Senator WILSON. Thank you very much, Councilwoman Price.

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Could you tell me what percentage of the units that CHISPA has built as affordable low- and modern-income units have been made available to military families?

Miss PRICE. I can't give you that percentage, but I think that question gets to the point of the fact that you cannot in this region separate housing needs by sectors, that you have large numbers of people in basically the same income categories who are competing for houses at a certain price.

The enlisted personnel of the lower grades at Fort Ord are in exactly the same income categories that those people are who are living in CHISPA houses. These are homes that are selling for $60,000 to $70,000 and in this area that is affordable housing. That is about as low as you are going to go for a new home in this area.

So, to the extent that we increase the whole supply and give those people, whether they are military or not, a home, it frees up a home in that price range for a military family.

Senator WILSON. Let me focus on another point. In his testimony Congressman Panetta noted that for a period of 6 years something like 43 modern-income units had been constructed, I believe, within the city of Monterey.

Miss PRICE. Yes.

Senator WILSON. That obviously is not doing much to expand the housing supply and, therefore, is reflected, I think, in high prices in addition to the premium that people are willing to pay to live in this lively area.

The concern that I think we have is to increase that supply to the extent that on base housing is added. It provides some competition and presumably holds down rents off base to the extent that additional housing is supplied just adding to the total inventory. That also has a very wholesome effect on keeping rents in check. It is only when you have studied your supply of housing as it grows older and not better that prices seem to rise.

Is there a constraint, an artificial constraint placed upon the development of private sector housing that affects this total picture by these infrastructure considerations that you have pointed out?

Is there any constraint presently on the ability of the Army to pay its fair share, whether it be for sewage disposal or additional water, or whatever?

Miss PRICE. Well, I will start with the examples of our regional sewer system. This is to be completed in 2 or 3 years to replace several locally operated plants, some of which have been having operating problems which was the original impetus for the regional system.

By the time the regional treatment plant is completed, probably in 1987 or 1988, it will already be oversubscribed. We will already have more sewage than we will have treatment capacity at that point.

So what we are facing in this area is having to add to that capacity and to the extent that we do not have any Federal help in doing that, that puts a tremendous burden on the local area military and the agencies, the member agencies, whether they be cities or sanitary districts as part of the country.

I also would like to point out that the 43 units built in Monterey are not reflective of the situation through the entire country. The

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city of Salinas has built considerably more affordable housing units in that time. Approximately 25 percent of the personnel from Fort Ord live in the city of Salinas. It is a 10- to 12-mile commute, but we do house probably as large a percentage as any of the other cities in the county.

So, CHISPA has alone developed 258 affordable housing units over the last 5 years within the city of Salinas. The figure would be even higher because we do have several innovative rental programs and bond programs for rental for both and owned homes.

Senator WILSON. So, your problem, as you perceive it, is to supply the infrastructure needs. The Army is not prohibited by any legal impediment from paying their share, but your problem is that you are already outpacing the plan for capacity and need to add to it and are facing a financial crunch because of the termination of some Federal funds?

Miss PRICE. Yes. I would like to reserve the right to consult with the Army people and let you know in writing whether there are any impediments to their funding, their share of these projects.

We have parcels of land in this area that are very suitable for housing that do not take prime agricultural land out of production, that do not have Coastal Commission restraints upon them. But they lack water, they lack sewage capacity.

What we need to do is make those things available to that land which is, relatively speaking, in this area affordable and that is the problem that we are facing as local governments. That has been our biggest challenge over the last several years is to try to meet those basic public works needs.

Before proposition 13 you would raise property taxes to meet those needs. We no longer have that ability. So, we are looking for other ways to try to meet those needs because they certainly do exist and we just cannot have houses without them.

Senator WILSON. One final question. We have been discussing this morning, both the witnesses and I, the need for this three-way partnership.

Could you just briefly describe what efforts AMBAG has made or other individual cities, local governments to enlist the support of the private sector in working with the military?

I know that you are urging us not to differentiate the problem of housing military families from those who are in similar economic circumstances, but I think you would agree there is a special problem that relates to. For example, the provision of onbase housing which you support.

What has been the role of local government in urging cooperation and participation by the private sector?

Miss PRICE. In addition to the housing needs report which AMBAG is right now completing for the military as an addition to our housing needs report which in the past has only addressed the needs by locality, not by sector, this is an addition.

I think that is going to be very helpful to the private sector in knowing what that need is and in determining where those military families are living now, where the potential markets are for military families.

Colonel Meurer has been an active member of the AMBAG Board of Directors. I think that certainly helps to keep that com-

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munication open. AMBAG will, in the month of May, be holding a forum to which we will be inviting the private sector, boards of realtors, builders exchange, those people who are in the business of building houses to a forum where we will as the result of an AMBAG project this last year where we are assessing the infrastructure for this area by agency so that if you have a city or a district of the country, you will know that they may have water, but they do not have sewage capacity. Or they may have land available, but they do not have water.

That will be made available at that forum for everybody then to be able to see which pieces are missing and perhaps then we can do some trading of those pieces to make the best use of what we do have in total.

So, those are some of the things that AMBAG has been doing that would be very difficult to do without that regional perspective, that you really need to have all of the agencies represented and get them together all at one time. I think that will ease some of the frustration for the private sector that has trouble perhaps in dealing with 15 individual cities and 2 counties, all with its or their own set of regulations and political situations.

So, I think AMBAG has been a very useful tool in bringing all of those interests together in one place to make available to the private sector the information that they need.

Senator WILSON. In your housing needs assessment, have you gone so far as trying to identify surplus publicly-owned property as possible housing sites to offer to private sector developers under circumstances that would be attractive to them?

Miss PRICE. No, we really have not. I think with the interest in private sector development onpost at Fort Ord we are moving toward that in this area. That has not been part of the official AMBAG assessment.

Senator WILSON. Well, as a former local official, I am reluctant to, from the Federal level, suggest things to local government since I resented it not long ago myself. But let me, as a former local official with some memory, suggest that they are good things that you are doing and I think this forum that you are going to hold is a very desirable thing, I think you are on the right track.

I would suggest that maybe you will want to look at that and what other localities in California have. When I say identify publicly held sites, I don't mean just that the city of Salinas should be a contributor, but within the entire range of concerns of the members of the AMBAG, you will have not just publicly held land at Fort Ord, but some held by the city of Salinas, some held by the State of California.

You may find there are old, no longer applicable rights of way owned by CALTRANS. I think you may be surprised by what you will find and it may offer some opportunities.

Miss PRICE. We will take your suggestion and do an assessment of that.

Thank you.

Senator WILSON. Thank you very much. We will welcome your further comment in writing and we are very grateful to you for the effort that you are making and for your being here this morning.

Miss PRICE. Thank you.

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Senator WILSON. Next we will call upon Capt. Ben Montoya, the commanding officer of the Western Division, Naval Facilities Engineering Command, at San Bruno, CA.

Captain Montoya will address Navy concerns generally and I think perhaps some other specific ones that relate to southern California.

I have had the privilege of working with him in the past in my prior inclination as mayor. He is a highly competent Naval officer and someone who understands the problems that we are talking about today.

It is a pleasure to welcome you here this morning, sir. Thank you for being here.

STATEMENT OF CAPT. BEN MONTOYA, COMMANDING OFFICER, WESTERN DIVISION, NAVAL FACILITIES ENGINEERING COMMAND, SAN BRUNO, CA

Captain MONTOYA. Thank you very much, sir.

Senator Wilson, in my present capacity as commanding officer of the Western Division of NAVFAC in San Bruno our job is to plan, design, and construct facilities for the Navy on the entire west coast. Included within that is the programming, design and construction of family housing.

We also have a management responsibility in that in my last job in San Diego I managed 6,000 units of family housing along with a housing referral service which brought to light many new things I will discuss this morning.

I welcome this opportunity to add the Navy's way to that which we have already heard dealing with a very difficult and specific problem facing our soldiers and sailors.

The Navy is a very large and highly sophisticated defense system and we are spread throughout California with the heaviest concentrations in the San Diego, Long Beach, Los Angeles area, and San Francisco. Each of these areas is saturated with people, all experiencing very high housing and land costs and also a low rental market vacancy rate.

Obviously, the Navy cannot operate without sailors and everyone must understand that sailors are different from civilians. We order sailors to their duty stations. Civilians can negotiate different duty stations, they can't resign. When sailors receive change of station orders, they have no choice. They must go as ordered.

Sailors also have families and in the State of California we have some 60,000 Navy families, but over and above that we have another 11,000 families in the E-1 to E-3 category.

Right now the housing shortage in California is acute. We know that 5 years from now it will be even worse than it is today.

Today there are more than 6,800 Navy families assigned in California who are unsuitably housed. Approximately 6,200 of these families are assigned to activities located in Long Beach, San Diego, and San Francisco.

Our housing requirements survey demonstrates that about 13,000 families will be unsuitably housed in 1989 if additional housing is not made available. By our own definition "unsuitably housed" means that our families must seek housing in areas that are too

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far from work, that is over 1 hour's drive, accept housing which is unsuitable or be forced to separate from their families because they cannot find adequate, affordable housing.

I submit that these numbers which by themselves paint a gloomy picture for many Navy families they do not tell the whole story. Families that are paying more than they can afford add to the shortfall of housing.

With the introduction of the variable housing allowance several years ago, we attempted to encourage a stronger reliance of the private sector by allowing military members to compete economically with his civilian counterpart for community housing. This approach has proven to be very beneficial to both the military and local communities in many areas of the country.

It has not proved to be so successful in locations with very high housing costs. Here in California, for example, the variable housing allowance does not meet the needs of approximately 5,300 families in San Diego, Long Beach, and San Francisco. These families are truly living in unsatisfactory conditions.

In my experience, Navy personnel who are forced to live under such unacceptable conditions are subjected to severe morale problems which directly affect their job performance as well as their desire to stay in the service.

As the frustration of finding suitable and affordable housing grows, so does the temptation to quit the struggle and join the civilian workforce if only to compete on a more equal financial base. Reenlistment decisions are made in the home and if the home is not suitable, it will influence a decision against reenlistment.

We, in the Navy, charged with ensuring that adequate housing is available for Navy members have not been sitting on our hands. We have expanded our housing referral service programs to improve our ability to place military families in adequate affordable housing in the community.

In the last several years we have vigorously pursued an acquisition program which is producing more housing today. Just 5 months ago, for example, we opened Pomorado Terrace in the Scripps Ranch area near Miramar in San Diego which will provide housing for 120 more of our families. The construction of 200 new units in Long Beach is also on the verge of completion.

In addition, we have sought and received authorization to acquire more land in San Diego and Long Beach which will enable us to build needed units in the next few years.

I would point out, however, that this conventional approach of producing housing will not be the entire answer. In this era of fiscal constraint we must recognize the realities of limits on our resources.

We have also explored numerous alternative acquisition methods, and we have tested the congressionally authorized long-term leasing of the section 801 program and the rental assurance, section 802 program.

We are investigating a resumption of the short-term domestic leasing program. We have also worked with city and county governments and local housing authorities to find alternate means for housing Navy families.

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We made a valiant effort to put the leasing and rental guarantee programs into effect in San Diego and Long Beach. In our view, both these programs offer opportunities to increase our housing assets. These programs were introduced to the private sector on a pilot basis.

The initial reaction to our request for proposals was very encouraging. More than 250 firms and interested parties received copies of the lease construction package in San Diego and another 200 copies of the rental guarantee package were distributed for Long Beach.

Unfortunately, proposals were not forthcoming. We received one bid for the leasing project and there were no bids submitted for the rental guarantee project. In response to this, we solicited information from many of the original prospects asking them to tell us why they backed off.

We found that there were several elements of the programs which inhibit their success in high cost areas. The primary obstacles to the success of the leasing project appear to be the high cost of land coupled with a proviso that these projects would be subject to annual appropriations.

For the rental guarantee project it is simply a matter of economics. The high costs of land and construction in these urban areas do not allow a developer to build what we need at the cost that we can afford.

We continue to believe that both of these programs have merit and we hope to be able to try them again under more favorable conditions.

Another initiative which is showing some promise is underway in Oakland. The Urban Housing Institute, in conjunction with the Oakland Housing Authority, has taken advantage of a grant from the Office of Economic Adjustment to reclaim public housing, it is in Oakland, restore them to suitable conditions and make them available to our most junior enlisted families.

This effort has recently brought two units into service with the expectation that another eight units will come on line soon.

An evaluation of the effort will take place with these 10 units. If it is stabilized and if the prospects are favorable, we will pursue this on a much larger scale. These efforts are indicative of the cooperation and support that we have received from the private sector.

We have also worked very closely with local political bodies who recognize the mutual benefits which can be drawn from sharing our talents. Most notable in this regard has been the cooperation of the San Diego Association of Governments which we call Sandag in that area.

A military housing task force was created under the auspices of Sandag several years ago to work with the Navy as we attempted to find land suitable for the construction of family housing. Starting with more than 100 options, Sandag and the Navy were able to select a parcel of land which was both suitable for construction and within the planning guides of the community. This extremely successful relationship will continue to reap benefits in the future.

I would add that we need more help from local governments to overcome the erroneous perception of some private communities

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that living next to Navy families results in decreased property values and lowered social acceptance.

I want to add parenthetically that our success near Scripps Ranch is a model that we would like to emulate throughout the entire State. I cannot say enough for those people in Sandag in helping us with that housing project we have recently completed.

While pursuing acquisition alternatives, we are pressed for additional housing in using our standard military construction program, but this program is limited and it takes time.

Our fiscal year 1986 budget includes only 244 construction starts in the State of California. Forty-four of these units will be in Warner Springs and two hundred of them in San Diego. We have been hampered by a scarcity of Navy-owned land in urban areas, high land costs and budgetary restrictions in the purchase of sufficient acreage to support our needs.

We have also been required to revise our design and construction criteria to allow for competition by the manufactured housing industry. This requirement is applied to urban areas and has resulted in a need to acquire additional acreage to allow for manufactured housing's lower densities.

It has also made it much more difficult to "sell" housing to highly organized urban communities who characteristically have strong negative perceptions of manufactured housing.

We must take meaningful action to substantially reduce the high Navy family housing shortage now. I urge your subcommittee's help for the Navy families who are unable to find suitable housing.

From my perspective as the overall manager of housing for Navy families in California, I strongly recommend the subcommittee consider the following actions:

Revise the military housing allowance for all Navy families stationed in the metropolitan areas of Long Beach, San Diego, and San Francisco. Give them the money they need to pay for suitable housing.

Support the rental deposit and guarantee program to reduce initial moving costs in urban areas.

Support relocation allowance to help compensate out-of-pocket expenses incurred by service members.

Support efforts to provide initial funding and technical investigation of local initiatives for provision of military housing.

Support an extension of the section 801 leasing program beyond September 30, 1985. Either make the authority permanent or make the extension for at least 5 years so we can truly give it a good test.

Support resumption of short-term domestic leasing by raising the allowable statutory limit so we can use this as an interim means of satisfying our needs in high-cost areas while we accomplish more permanent solutions.

Support the planned Navy construction program of 244 units in fiscal year 1986.

Support military construction of Navy family housing in the fiscal year 1987 through 1980 timeframe.

Support the establishment of a procedure to waive the requirement for manufactured housing to compete on military housing projects at least in off-base settings where communities may oppose this type of housing.

Support authorizing legislation which permits the establishment of land banks of sufficient acreage to accommodate programming deficits in San Francisco, San Diego and Long Beach.

Support a land exchange we have underway right now in discussions with Alameda County for a future Navy housing project.

The United States of America is a first-class Nation. The U.S. Navy is a first-class Navy. We cannot allow Navy personnel to be treated as second-class citizens.

Mr. Chairman, I thank you again for this opportunity to describe to you our critical housing shortage facing all of our families here in California. I also appreciate the opportunity to join the Army in urging this message to you.

Thank you very much.

Senator WILSON. Thank you very much, Captain Montoya.

You have indicated that the high cost of land is a primary reason for lack of interest on behalf of the private sector in the leasing program.

Is there also a factor in the high costs of conventional military construction which relates to acquiring land and building onbase housing?

Given the large real estate assets under the control of the Navy, and I have made a note of your point about the scarcity of urban land, but given the considerable real estate assets under the control of the Navy, has there been any comprehensive action that you have taken with all of these assets, particularly in the Los Angeles and Long Beach area?

I know that there has been an extensive inventory done in the San Diego County area, but with regard to their use for meeting these housing crisis?

Captain MONTOYA. We have looked recently in the Los Angeles and Long Beach area. We are in the process of reacquiring, if you will; land that was ceded to the local government in the early seventies, but San Diego, San Francisco, and Long Beach suffer from the same malady. Navy bases were primarily where ships were homeported.

That is not so true where we have the air stations inland, Lemoore and even Miramar have a little land left, but not much. Along the coast we do not have the land on our own properties to meet the programming deficits we have now and surely foresee in the near future. We have locked in each of these areas, Senator Wilson.

Senator WILSON. To what extent have you in conjunction with private developers looked at redevelopment of what are really underutilized areas?

It seems to me that this has a very high potential for the Navy precisely because of the setting in which you find yourselves. Not Lemoore and not El Centro, but the coastal areas, these urban settings where you have traditionally operated include some areas which are very old, very much underutilized.

It seems to me they offer a high potential. I do not know to what extent you have engaged in that, but it seems to me that it offers an opportunity that really has to be fully explored.

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Captain MONTOYA. Yes, sir. With the help of the Office of Economic Adjustment, a DOD agency, we are looking into that very type of program in downtown Oakland.

We have also opened exploratory talks with the city of San Francisco to see if we can try some initial measures with them. If we are successful and we are somewhat optimistic that we might be, we certainly want to do that because another peculiarity about the Navy in the urban areas is that we want to, forced by the lack of land, we want to become an integral part of the community. I think that approach offers one more avenue.

Senator WILSON. Well, since we are talking about the high cost of land and efforts to try to interest private sector developers, I noted in your statement you said that developers did not respond to your request for proposals on the section 801 and section 802 rental and leasing programs because of the high cost of land. That was the answer that you got back, and the concern about the uncertainty of annual appropriations.

But I note in the written testimony that has been submitted by Councilman Wilder he has expressed the view that a number of the developers were discouraged from responding to the Navy's initiative in that regard because they felt that the Navy's own density limitations made it difficult really to respond, that feasibility was distinctly limited, constrained by what they felt were unduly low density requirements.

Captain MONTOYA. That may be true. We put together those requests for proposals based on our ongoing experience in San Diego.

For example, our proposal in San Diego is seen as being too dense. We have our plans to build housing in another site in the Chula Vista area. It is being attacked by the community as being too dense, although our proposal is less dense than that in which the area was zoned.

So, we may have been somewhat conservative in that regard because one of our desires is to build in the community, to set our request for proposals, RFP's, that are somewhat compatible with the adjacent local areas.

I certainly would be willing to meet with anyone in the city of Long Beach, planning communities, and commissions, and otherwise, to develop an RFP for given areas that would be compatible with local densities of zoning ordnances.

We can be very flexible in that regard, Senator Wilson.

Senator WILSON. Who is it that actually determines what the Navy's density limitations and your square footage limitations are? Is that determined by a national standard or by a local command? What sets that?

Captain MONTOYA. We have some outer parameters set by the Department of Defense and then we also have our view of the best use of land. If you do purchase expensive land, you want to maximize its use and yet consider the density factors of the community.

But, in the lease housing program, we were using Department of Defense guidelines to set our limits. There is some flexibility permitted in those.

Senator WILSON. There is some flexibility?

Captain MONTOYA. Yes, sir.

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Senator WILSON. I would be interested in getting a closer look at that and would ask that you supply for the record whatever guidance you received from DOD and to the extent that it exists, what the rationale for that may be.

Captain MONTOYA. Yes, sir.

[The information follows:]

The Commander, Naval Facilities Engineering Command is responsible for establishing criteria and standards for the planning, design, and construction of Navy family housing. NAVFAC DM-35 "Design Manual for Family Housing" provides the basic guidance.

With regard to the size of units, maximum square footage requirements are set by law (e.g., 950 square feet is the maximum allowed for junior enlisted 2 bedroom units). However, minimum square footage and density guidance is flexible and has generally been established through tri-service agreement.

In recent years, gross densities of from 8-10 units per acre have been targeted when sufficient land was available. However, during the joint committee hearings of the fiscal year 1983 Military Construction Bill, Congress directed the Armed Services to include provisions in their specifications such that there be no barriers to proposers that may opt to use manufactured/factory built housing. Thus, where land was available, gross densities of from 5-7 units per acre have been targeted to allow for the lower densities required by the customarily single story, detached manufactured dwelling unit. Exceptions or waivers to density and square footage guidance, statutory limits excepted, are submitted to COMNAVFACENGCOM for consideration with general project documentation.

DOD guidelines for square footage and density of family housing units consider both market realities and the military's needs. The bulk of our housing acquisition program in recent years has been for 2 bedroom units for our young enlisted families who often have small children. The local housing industry, on the other hand, has been focusing on smaller, higher density units geared toward childless couples, singles and/or roommate populations. Our housing unit size and density reflect our different need and our concern for the quality of life of our young military families.

Ten to 12 units per gross buildable acre was the density limit originally set for the section 801 and 802 programs. This number was raised to 15 units at industry request. For future section 801 and 802 projects, the Navy is willing to meet with local housing industry and community representatives to ensure that the projects are responsible to both our needs and market realities.

Senator WILSON. It also is obvious that if we are talking about onbase and off-base housing, a commander who has jurisdiction of onbase housing, I would gather, is exempt or perhaps I should simply ask it as a question.

Is he exempt from those density requirements?

Captain MONTOYA. No, as a matter of fact, they would probably be more applicable to onbase housing because in justifying military construction programs, there are DOD criteria to meet as your project advances through the system.

When you go off base, you are subject now to the additional considerations of the community. So, I would say the DOD criteria have more specific applicability when you are asking for appropriations to build on our own land within the fences of our activities.

Senator WILSON. You are saying that they have a stronger application. You are not saying they are necessarily more restrictive?

Captain MONTOYA. No, sir. They have more specific application to us when we are building on our land because we cannot make the argument we want something different than the guidelines because there is community pressure.

Senator WILSON. Well, I would be interested in how this flexibility that you mentioned relates to the commander asking for, and I don't really know what the density requirements are, but asking for a greater density than is allowed under those DOD guidelines.

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I would assume that the same considerations are involved as guide the deliberations of a number of local officials and that is that there are difficulties in concentrating young low income families with lots of children.

I would be interested in that because it is the contention of not only Councilman Wilder, but other builders to whom I have spoken that their lack of interest is occasioned less by a concern about annual appropriations than it is about the feasibility of being able to determine or to work with a really feasible density.

Thank you very much, Captain Montoya. We are very grateful for your being here and we look forward to your additional response.

Captain MONTOYA. Yes, sir.

Senator WILSON. Next, representing the city of Long Beach, we will call a panel consisting of Councilman Mark Wilder of the city of Long Beach, CA; Elaine Hutchison, the chairman of the Long Beach Housing Task Force and representing the private sector, specifically Lincoln Property Corp.; Mr. Michael Sondermann and Mr. Jarco, both of Tarzana, CA.

Councilman Wilder.

STATEMENT OF COUNCILMAN MARK WILDER, CITY OF LONG BEACH

Mr. WILDER. Thank you, Senator Wilson.

My name is Mark Wilder, councilman for the city of Long Beach, CA, which includes the Long Beach Naval Station.

We from the city of Long Beach appreciate the opportunity to address a problem of great importance to us. The Navy is vital to our community and its personality and economic health.

The Navy and the city have been a team by creating or by first creating a major port on the west coast which resulted from the city's donation of strategically valuable land and then by building a home for the Navy by weaving Navy personnel into the very fabric of community life that is Long Beach.

But, as I am sure you are well aware, we are an underutilized naval home port. The access to the sea is perfect, the pier space was recently upgraded to handle the biggest and most modern ships the Navy is building and the Navy base itself is a tropical paradise that is a delight to sailors and visitors alike.

However, we have been told that because of the serious shortage of available housing, we are underutilized as a home port for battleship groups, carrier groups or amphibious operations.

The Navy has done a splended job of building the ships which defend us, but we strongly feel that a new partnership is necessary in order to solve this housing shortfall, a partnership between the Navy and the people who have been building housing for as long as the Navy has been building ships, the cities and the development community.

Furthermore, based upon our recent experience with the *Missouri*, I feel that if this small piece of the military puzzle is put in place, the Long Beach Naval Station could truly come up to its full potential and thus relieve the pressure on the Navy to build expensive new port facilities.

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In terms of need of Navy housing in Long Beach, the Navy has officially projected since 1980 a need for family units ranging from as many as 5,600 units to a low of 1,150 units. The Navy is not stating an unmet need of some 1,200 Navy supply family units based on their most recent official housing survey.

As Senator Wilson is very well aware, we are very proud in Long Beach of our record partnership between the public and private sectors which has resulted in nearly $2 billion in new developments in our community in the last 5 years, as well as the creation of some 20,000 new private sector jobs and about 1,500 new affordable housing units.

This same successful partnership I can say without hesitation can be made to work on the problem of providing adequate Navy family units in Long Beach.

With me today, Mr. Chairman, are three very fine developers who are prepared to discuss both the problem and the public partnership initiatives that can bring about a favorable or similarly favorable result for our community's military families.

We have in Long Beach a number of innovative developers who have worked on various housing developments which have included the city as a venture partner through our city's mortgage bond issues. We have issued about $100 million in these types of bonds and the response from the private sector investment and development community has been positive, creative and, most importantly, affordable.

The resulting housing developments have been well-designed and are, all in all, a tremendous new asset to our housing stock and still affordable to households who would not normally be able to take advantage of this type of housing in the high-priced California marketplace.

A number of these developers have taken a look at the military's section 802 program whereby, as I understand it, the military will assist in leasing privately owned, newly constructed housing for its personnel and their families. I know many of these developers and I know they can produce excellent housing within reasonable governmental guidelines.

The city council has also worked closely with these developers to create zoning incentives or to clear local regulatory hurdles which would prevent the goal of creating affordable family units for either purchase or rental.

But the Navy's section 802 program could not be made to work in Long Beach despite local willingness to attempt to make it work. There was not one developer who bid on the Navy's section 802 program request for proposals in Long Beach. There has very clearly been a need to rethink the operation of the section 802 program in order that it could be made to work in communities like Long Beach.

In conjunction with the city's housing task force and the private sector proposal, I would like to present this idea.

There are some 250 units of Navy-owned housing in our west side area which is called Savannah Navy Housing. It was built in 1940 and it is one-story units on about 26 acres and has a lot of open green space. It underwent about $3 million in renovation around

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1982. Adjacent to it is another 15 acres of transient Navy housing of the same description with 142 units.

This housing could be upgraded to a much higher density to accommodate as many as three to four times its current Navy family population. The Navy will tell you that this housing is the same density it has in the Long Beach Naval Station's supply, namely 9.7 units per acre.

When you consider that we have many areas in our city with from 100 to 160 units per acre, this seems an almost incredible underutilization of a Navy and community asset. That density pattern at Savannah housing or Navy housing is even less than our nicest single-family track home neighborhoods.

I believe this type of regulation needs to be adjusted to the realities of the housing situation the Navy finds itself in when it comes to urbanized communities like Long Beach where land costs and existing densities are high.

Your subcommittee may also want to consider banking land for developers to eventually construct section 802 type housing on. These recommendations would apply to both Navy's leased housing programs and to the Navy's own housing supply construction programs.

In conclusion, one, the need is present and very real in Long Beach and I suspect in other communities in which the Navy resides to resolve the housing shortage. In Long Beach this has military strategic implications as well as relief of pressure on the city's housing problems.

Two, the present programs for which Long Beach is a designated city for the Navy's section 802 program have not worked, at least in Long Beach.

Three, in Long Beach there has been a tremendous success in housing and development programs which have utilized the public-private partnership.

Four, there is a need for a new housing program utilizing revised standards for the planning and construction of Navy housing. These are especially critical in density and size as well as site acquisition and ownership considerations.

And finally, as will be demonstrated by our next speaker, Elaine Hutchison, who is president of the Apartment Association of California Southern Cities, and who is presently the chairwoman of the City's Year 2000 Housing and Neighborhoods Task Force, as well as being a prominent local developer; and two representatives from Lincoln Property Co., Steve Jarco, vice president for finance, and a partner in the company, and Michael Sondermann, development director and partner for Lincoln Property Co., we in the city of Long Beach look forward to working in partnership with the Navy and the developers to effect a long-term solution to the Navy's housing problem.

Thank you very much, Senator Wilson.

Senator WILSON. Thank you very much, Councilman Wilder.

I should point out that Councilman Wilder is really full of the Navy, he is a graduate of the Naval Academy and is from an old Navy family with a distinguished naval career before he entered a more combative kind of public service.

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STATEMENT OF ELAINE HUTCHISON, PRESIDENT, APARTMENT ASSOCIATION OF CALIFORNIA SOUTHERN CITIES; ALSO CHAIRWOMAN, CITY'S YEAR 2000 HOUSING AND NEIGHBORHOODS TASK FORCE

Miss HUTCHISON. Thank you.

Senator Wilson, thank you for this opportunity to speak at this time on this very important issue of Navy housing.

I am here today as chairwoman of the Long Beach Mayors Strategic Planning Task Force on Housing in Neighborhoods for the Year 2000. This task force is composed of 23 civil leaders in Long Beach, all appointed by the mayor and city council.

I am also currently serving, as Councilman Wilder indicated, as the president of the Apartment Association of the California Southern Cities, a professional organization which serves a population area of some 1.2 million across 51 cities in southern Los Angeles County.

My remarks today are drawn from the special report on Navy housing of the aforementioned mayors task force which has been prepared separately from the final comprehensive report in order to focus more directly upon this special housing area need for Long Beach.

A copy of this special Navy housing report is being submitted for your further information. [Retained in subcommittee files.]

The history of Long Beach and the Navy is one of longstanding partnership, dating from 1919 when President Wilson began assigning to the San Pedro Bay what became more than 200 warships during one era.

For many decades, following 1919 the economic fortunes of Long Beach rose and sank with the tides of naval decisions made in Washington.

With the substantial departure of the Navy between the late 1950's and early 1970's, Long Beach lost not only valuable economic influence, but its deserved and historic reputation as the home of the Pacific Fleet. From this experience and our greatly expanded port facility, Long Beach became a truly diversified and international city which has allowed Long Beach to become the major focal point for Pacific rim trade and commerce.

Over the many years of partnership the city and community of Long Beach have provided much to the Navy. For example, land for the Navy hospital, land for the veterans hospital which was formerly a Navy hospital, land for Navy-owned housing, land for the naval port facility at the wonderful price of $1 per year—a welcoming community for naval personnel and their families.

In addition, Long Beach has an unsurpassed climate, outstanding recreational facilities, and access to all of the things to be found within the greater Los Angeles Basin.

On the other hand, the Navy for its part has provided a reliable infusion of capital into the community which provides the impetus that finances the cost of many of the community's needs for all of its citizens.

For example, quality education, outstanding health and safety services and a sound business community. In carrying out its study,

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the special Navy Housing Committee reviewed the prior studies and reports on the issue of housing for Navy families.

The committee found that this subject has received continuing attention since 1981, with two dominant themes recurring, a genuine acceptance of the role of the Long Beach community in relation to the Navy and a continuing need for the Navy in conjunction with the Long Beach community to provide an adequate quantity and quality of Navy housing for the families of Navy personnel.

To these ends the committee undertook an exhaustive examination of present day facts and realities to determine the scope and affectiveness that our recommendations could have in achieving both the city's and the Navy's goals. The following summarizes the committee's findings:

One, additional Navy housing is needed. Expanded naval personnel stationed now and through 1989 challenge both the Navy and the city to provide adequate and decent housing for Navy families.

There is currently a need to house at least 1,200 families by 1989 who have expressed a desire for the Navy-owned housing. According to a very current apartment survey within Long Beach, the vacancy factor is 1.8 percent, well below the industry standard of 5 percent. Rental rates are lower than those in the general region in Long Beach.

Therefore, even though apartments are less costly than in other nearby communities, there is competition for availability.

Two, more efficient use of land should be made. We believe the Navy should recognize the need for density code changes within its properties and be prepared to use its land more efficiently to assist in additional housing. The criteria the Navy currently uses for housing is much lower than that provided within the city of Long Beach and other urban areas.

Consequently, there is severe underutilization of Navy lands.

Three, land is available. There may be potential appropriate land within the city of Long Beach which could be developed by private developers in cooperation with the city and the Navy. Previous surveys have shown that there are parcels of appropriate land available.

Four, innovative programs are needed. Existing Navy programs to encourage private development within Long Beach have not been successful; therefore, innovative programs are needed if Navy housing is to be increased.

Five, services to Navy families. There is an ongoing need for naval families and personnel to be afforded community assistance in assimilating into Long Beach life. These findings have led to the following key recommendations:

One, the mayor and city council should, in conjunction with the Navy, exhaust all avenues to obtain increased housing on existing navy-owned lands within the Long Beach area. A targeted site should be the Savannah housing site which has an extremely low density per acre. New incentives for private development of underutilized land should be explored.

Two, the mayor and city council should form a joint committee on naval affairs for the purpose of coordinating ideas and recommendations on improving all aspects of naval life in Long Beach.

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As part of this recommendation, the Navy should be urged to require registration of all Navy families in order to obtain and maintain statistics on families adequately housed and families in need of adequate housing.

The city should actively assist in solving problems Navy families have in the areas of social services, employment of spouses, business dealings and other areas as may be needed.

Three, the mayor and city council should actively encourage the Navy to consider Long Beach as the preferred home port for additional ships.

Senator Wilson, from the excerpts of the special Navy report you have just heard, it is evident that Long Beach is facilitieswise a very good Navy town, that the community welcomes the Navy.

The recommendations as to the increased density on existing Navy-owned land comes in light of the recognition that this would be consistent with density of other urban communities and indeed consistent with the densities that Navy families residing within the Long Beach community are now sharing.

The special Naval housing committee members believe strongly that the time has come to utilize innovative programs in the Long Beach area to increase Navy housing.

Thank you for affording me this opportunity.

Senator WILSON. Thank you very much, Miss Hutchison.

Mr. Jarco.

STATEMENT OF STEVE JARCO, VICE PRESIDENT FOR FINANCE, LINCOLN PROPERTY CO.

Mr. JARCO. Mr. Chairman, Senator Wilson, my name is Steve Jarco. I am a partner with Lincoln Property Co.

By way of background, the Lincoln Property Co. is a large national real estate development company. We are the largest producer of rental housing in the United States and have been that way for about 5 years now.

The company itself is about 20 years old, 20 years ago this month it was formed and it is generally regarded as the second or third largest development organization in the world. Lincoln is a large company and we are extremely well capitalized. We are regarded as one of the Cadillac companies of the development industry.

We are here representing just one development company, but I think a fairly good representative of that industry and the contribution that that industry can make to these kinds of problems.

We have never built housing specifically on contract for the military, but have provided a number of facilities near military bases which have been used by military people very successfully.

We are particularly proud of those endeavors. A good example is Nellis Air Force Base in Las Vegas where we built two projects in the vicinity of the Air Force base and they have been used extensively by military personnel very successfully.

We are very, very enthusiastic about the prospect of working on this problem. We see it as an opportunity for our company and we see it as an opportunity also to solve a need and a problem, both locally for communities and also for the country.

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I think the key word for us here is flexibility. We are anxious to work in a very congenial and nonadversarial type way to try to resolve these problems.

We are regarded I think by our institutional partners and our lenders as an extremely flexible and good company to do business with and we would like to continue that sort of partnership and relationship with both the local communities and the military in attempting to solve what we view as a very significant problem and one to which we can provide some value.

In order to get more specific in this regard, I would like to introduce my partner, Michael Sondermann, who will propose one example of how we might solve these problems, but I caution you that this is merely one thought.

The key word for us here, again, is flexibility. We are anxious to pursue a number of different alternatives and this is just one possibility.

Thank you.

Senator WILSON. Thank you, Mr. Jarco.

Mr. Sondermann.

STATEMENT OF MICHAEL B. SONDERMANN, DEVELOPMENT DIRECTOR, LINCOLN PROPERTY CO.

Mr. SONDERMANN. Senator Wilson, Lincoln Property Co. is acutely aware of the severe housing shortage which impacts both the civilian and the military populations in many California urban areas.

The increasing severity of the problem has prompted Lincoln to institute a series of both internal and external discussions aimed at the development of a creative new way to provide the needed housing in a timely and cost-efficient manner.

As a result of these efforts, we now think that we have an approach that will be beneficial to all parties concerned and we are convinced that Long Beach will be a perfect community in which to initiate the pilot program.

The general structure of the public-private partnership program that we are proposing is as follows.

1. Lincoln Property Co. will build at no out-of-pocket cost to the Government an agreed-upon number of military housing units on military property for use by military personnel.

These units will be constructed in accordance with specifications provided by the military. When construction of the units is complete, Lincoln will turn the units over to the military and retain no interest in them.

2. In return for incurring the cost of development of the military housing units, Lincoln will be given the right to construct an agreed-upon number of market rate rental units on U.S. property in the Long Beach or Greater Los Angeles area.

It is anticipated that the agreed-upon sites will be provided by the Government to the developer on a long-term lease basis.

3. The market rate rental units constructed on military land will be made available to the civilian population for lease. However, Lincoln is willing to:

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(a) Hold 20 percent of these units available on a first-come, first-serve basis for officers and warrant officers with families. The monthly rent for these units shall be no greater than the basic allowance for quarters, plus the variable housing allowance supplement for the Long Beach/Los Angeles area, paid to the service member.

And (b) give priority in the rental of the market rate units to all civilian personnel who are employed by the military.

If this concept were to be applied to Long Beach, Lincoln would initially focus its efforts on the development and rehabilitation of the Cabrillo military housing project on Pacific Coast Highway.

It is our understanding that approximately 800 housing units are presently located on the site. Considering the existing configuration and the inefficent use of the property, it is our initial belief that the site could easily accommodate 1,500 to 1,600 additional units. Such an addition would require demolition of some existing units and rehabilitation of others.

If given the authority to proceed, Lincoln could in a period of approximately 18 months after the start of construction ensure that 1,500 families of naval enlisted personnel will have access to modern, well-designed living accommodations in a significantly upgraded, planned residential community.

As stated earlier, it is anticipated that the entire effort would be accomplished at no out-of-pocket cost to the Navy. The compensation for the developer would be in the form of a long-term, 99-year lease on an unspecified number of acres of U.S. land in the Long Beach or Greater Los Angeles area.

The exact formula regarding the ratio of donated units to acreage provided will have to be worked out through negotiations.

Lincoln would also consider obtaining the basic allowance for quarters plus the variable housing allowance supplement for the Long Beach/Los Angeles area paid to the service members as another form of compensation. This would minimize the amount of U.S. land required by the developer to offset the costs of the construction of the military housing units.

The amount of acreage and/or BAQ needed to make the deal work is obviously going to be contingent upon the density which is appropriate for the site or sites agreed upon.

The provisions described in 3 (a) and (b) shall be applicable to all market rate units and will provide a good source of additional housing for naval officers and their families.

In closing, it is important to emphasize that the foregoing discussion is still very conceptual and needs a good deal more investigation. Nevertheless, it provides the basis for what we believe is an exiciting approach to the creation of critically needed military as well as civilian housing in the Long Beach area.

Thank you very much, Senator Wilson.

Senator WILSON. Thank you very much, Mr. Sondermann.

I would appreciate receiving copies for the record of your testimony.

Mr. SONDERMANN. Absolutely.

Senator WILSON. I do not know whether Captain Montoya is still with us, but—yes, I see his hat is still here so he must be.

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I think the testimony that we have heard from both the municipal officials and also from Miss Hutchison and from these gentlemen representing the private developer may require aggressive further exploration.

I am particularly concerned about the comments that they have made both here and in the written testimony with respect to density. I think if we are talking about urban land and so much of the Navy setting is in an urban and a dense urban situation that we really need to review those requirements.

It sounds to me as though they are making an offer that should be attractive. I would hope it can lead to what we have been talking about all morning, the kind of partnership that will mean housing for military families.

Unhappily, we are running out of time and we have one witness remaining.

I may have some questions and I would be grateful if we could submit them to you later.

Thank you very much for being here this morning.

Miss HUTCHISON. Thank you.

Mr. SONDERMANN. Thank you, sir.

Senator WILSON. The comments of the last panel provide an appropriate introduction for a final witness this morning, Mr. Glenn W. Cardoso, senior vice president of Leisure Technology, Inc., a private developer who has been in the business of providing housing for the elderly.

Reading the written testimony submitted by Mr. Cardoso, there are echos of what we have just been hearing, so I would ask, because we are constrained by time and because I looked at your written testimony, that you summarize it, if you would, Mr. Cardoso, and then emphasize those points that you think especially appropriate to this discussion.

I will then have a question or two for you.

Mr. Cardoso.

STATEMENT OF GLENN W. CARDOSO, SENIOR VICE PRESIDENT, LEISURE TECHNOLOGY, INC., LOS ANGELES, CA

Mr. CARDOSO. Thank you, Senator Wilson.

Certainly I will be guided by your comments.

Like Lincoln Properties, who our company has a great deal of regard for, the concept that we had discussed and thought about was again an asset-for-asset swap with the military for the provision of housing for the much needed enlisted families, and so on.

What I might do to help you in your time constraints is I will be very specific to the particular business that we do and that is to provide housing for the elderly.

One of the great assets, I think, of a partnership between a company like ours, and certainly there are others who do the same type of business, is in some of the areas that both Lincoln Properties and some of the military people and certainly some of the city government people have talked about are areas like sewer usage, traffic impact and schools.

One advantage of tying in this partnership of retirement housing or seniors' housing is that the impact of sewers, for instance, in the

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seniors' housing program is about one-quarter of that of which a regular housing project uses. The impact of traffic is about the same ratio and certainly there are no school requirements whatsoever.

So, it seems to me that there are a lot of ways in marrying the two needs that would be both beneficial to the two housing sectors and could also relieve undue burden on the city and county governments for the provision of services and in other utility needs.

One interesting aspect that we believe could also be applied, Senator Wilson, is that the land swap concept, if it is utilized, does not necessarily have to be within the same area. Housing could be built at Fort Ord, for instance, and some other Government land not being utilized currently or not planned to be utilized could be swapped on some other location.

It might also be suitable for the housing that we are seeking to provide for the elderly, but not necessarily in the same geographic location.

Senator WILSON. Yes, as I understand the law, it currently permits that.

Mr. CARDOSO. I think so. We have not had time to investigate it thoroughly, but that is a possibility.

Senator WILSON. We held a hearing last year in Sacramento at which a representative from the Department of Defense addressed that specific issue and the subcommittee will be addressing it.

Go ahead.

Mr. CARDOSO. Very good. That would conclude what I have to say. I think it summarizes what we discussed. I do not want to repeat what some of the other people have been talking about.

I do think that the important elements as far as a reasonable swap, if we talk about that kind of a concept, is, and I will reiterate some of the comments;

Density is certainly one that is a critical issue to any urban use and one in which our experience has been that the military government has been unwilling to give on in the past.

Another one that we believe is real important is the utilization of some exclusive negotiation agreement rather than the broad-based RFP that is currently being used.

Many inner cities use an exclusive negotiation agreement to be able to work quickly and directly with a qualified and substantial developer to produce benefits for both parties immediately.

The RFP's can require developers to spend hundreds of thousands of dollars without ever having any idea whether they are going to be considered or not.

Two is that it is a very structured and organized request for proposal that does not allow flexibility in design specifications and many other elements that the private industry has been doing efficiently and cost effectively for years, that we will at least, and the military has not really started to address yet in today's economic and technical environment.

So, we would urge you to consider those kinds of things. Certainly our company would be most pleased to work with any of the military groups to be able to work on some programs that could be effective for both halves of the equation.

Thank you.

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[The prepared statement of Mr. Cardoso follows:]

PREPARED STATEMENT BY GLENN W. CARDOSO

Senator Wilson, our country faces a serious and urgent housing crisis. We are here today because it is particularly critical for the military. It has reached disastrous proportions in California, in communities surrounding Monterey, Long Beach, Oceanside and others. The families of enlisted men and officers are unable to find affordable housing. The housing crisis has also shut out young buyers with families, the elderly, and is spreading.

This problem calls for solutions that are innovative and creative; solutions that go beyond traditional development methods. Speed, efficiency and cost effectiveness must be an integral part of the answer to the crisis.

Our vision is to form a partnership between the military and the private housing industry. Together we can provide for the housing needs of the military and other groups that effectively are denied housing due to high land costs and interest rates which translate into home prices that are beyond the reach of many Americans.

One group that is dramatically affected is our aging Americans, citizens that have been of special concern to my company, leisure technology, for more than two decades.

As you well know, older Americans are one of the fastest growing population segments. Those 65 years and older now number 28.9 million. That rises by 5,000 every day. By 2025, we will have 45 million Americans over 65.

There is a serious shortfall of affordable and appropriate housing for this age group. This shortfall is expected to reach 2.2 million by the end of the century. It has resulted in the premature institutionalization of more than 10 percent of Americans now in nursing care homes. These are Americans who could lead relatively independent and fully-satisfying lives—if appropriate housing options were available. Clearly, the need has been demonstrated.

The military needs homes for enlisted families. But with the controversy currently raging in Congress over defense spending, the possibility of deep slashes in military budgets and cost overrun scandals filling our newspapers, the outlook is grim. It is doubtful that badly needed funds for military housing will be forthcoming when important FHA and HUD housing programs are targeted to be cut.

The military is in a unique situation. It has an abundant supply of land. Land that can be converted into affordable housing, near large metropolitan areas.

In this proposed partnership, the private sector can provide quality and cost-efficient housing for military families in return for suitable land development, surplus land, that the Government no longer uses or needs.

What I am proposing is essentially a swap, asset for asset. We can build housing for the military on its land.

In exchange, the military would deed us land of equal value near large population centers for development of affordable housing for the elderly.

Such a partnership will do much to ease the housing crisis for the military and the private sector; quickly and cost-effectively.

But this solution will require creativity, new procedures and a spirit of cooperation and imagination.

First, because of the urgency involved, we suggest eliminating the time-consuming and costly proposal process. This process can last 2 or 3 years. Developers spend tens and hundreds of thousands of dollars in the process, costs which must be passed on to the military.

We suggest borrowing a highly successful method used by many municipalities in the redevelopment of our inner cities. Enter into an exclusive negotiation agreement with developers who have a proven track record. Then, work together in partnership to accomplish the goals of both parties.

Due to the unpredictable cost of money and the cyclical nature of the housing market, speed is also essential for the partnership to succeed. Today, there is a window of opportunity for builders and prospective buyers because of the reasonable interest rates and the availability of capital. But, rates are expected to climb once again. If we wait, that window could slam shut.

Secondly, we must review some of the technical requirements for military housing for cost effectiveness—primarily those regarding density, specifications and materials—which push up development and building costs with little or no discernible benefits.

By streamlining this process, the private sector can use methods and techniques that we have been using for years to produce cost-efficient homes.

These are procedures controlled by the Government. You can change them.

Leisure technology has been developing communities for older citizens throughout the country for more than two decades, including our newest leisure village near Camp Pendleton in Oceanside, CA. Our experience confirms that another major impediment is developing housing on leased land.

Historically, the military does not deed land; it leases it. Homes on leased land sell for substantially less than the same home would sell for on fee land. For instance, a home and lot that might sell for $75,000, might only bring $50,000 on leased land. And because of the asset-for-asset concept, the swap we propose would translate to one-third fewer homes, critically needed homes for military families.

Home ownership has always been an American dream. And for many older Americans, ownership is crucial. Their mentality, their economic concerns and their personal histories demand the option of ownership. This will be their legacy, their security, their stability.

The public-private partnership we are envisioning today can provide needed housing for our enlisted families—without creating any economic drain on the Government. For many older citizens it can also be the realization of a dream for decent housing, independence and security.

I urge you to take immediate action. The problem is critical and needs prompt attention. We are available to further explore new options and are deeply motivated by our vision of creating housing for those who so urgently need it.

Thank you.

Senator WILSON. Mr. Cardoso, let me ask you this. If someone were empowered to act as agent for a military command in negotiating with your company or others for the provision of military housing and if the grant of authority to him as a negotiator were broad enough, don't you think that we could achieve both the simplified process and the flexibility that you think desirable, and I agree are desirable, and at the same time gain the benefits of competition?

In other words, you have mentioned the exclusive negotiating agreement and I get the feeling from your testimony that you think that is desirable primarily from the standpoint of allowing you to work out things so that you get the flexibility, so that you can get away from the unrealistic density requirements, the necessity for conforming to a rigid process.

But if you could get away from that process and still have the benefit of competition, that seems to me that, from the standpoint of the taxpayers, you have got the best of all worlds and could avoid the very kind of thing that we have encountered in military procurement of weapon systems.

Mr. CARDOSO. I think that is very possible, Senator Wilson. There certainly could be a preliminary point evaluation system from which to select one or two developers to work with. Then certainly that negotiation could take place and get the best product, both for the military and provide some excitement for the private industry to provide the housing.

Senator WILSON. Well, the point that you have made about the swap of asset for asset and not necessarily on the same site, but land exchanges, I think is one that we really have not begun to scratch the surface on. I think it may, perhaps in only a few instances, but in a few instances provide the solution, the key to the solution for some very critical housing problems.

So, that is something that the subcommittee will also be looking at.

I thank you for being here.

Mr. CARDOSO. Very good, and thank you, Senator Wilson.

Senator WILSON. I wish to thank all of the witnesses who have appeared this morning. They have contributed greatly to our understanding of the problem.

One thing I think is clear from the testimony of all who have addressed the subcommittee this morning and that is there is a concern clearly expressed, long overdue, that we need to be very much alive to the requirements of the young soldier and his family for the assurance that they can find a quality of life in the military that they deserve.

As someone who spends a great deal of his time thinking about weapons systems and the hardware side, we are very much concerned that the quality of life for today's All-Volunteer Force be everything that it can be and should be within the constraints of some very real budget problems.

I think that we would agree that perhaps because of other priorities that seem more pressing, there has been some neglect of the housing requirements for young military families, and associated economic problems.

It is the purposes of this subcommittee to address those and within the abilities that are granted us, to alleviate them. We congratulate those who are concerned military commanders and those who are concerned local officials and those who are innovative and willing private sector developers to participate in the solution.

We will try not to get in your way. We will hope that we can give you some help by removing inhibitions that do exist in the law and perhaps granting some additional authority as required.

Thank you very much.

This hearing is adjourned.

[Whereupon, at 11:25 a.m., the subcommittee adjourned, subject to the call of the Chair.]

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